

EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

Supplement A — No 6 — June 1987

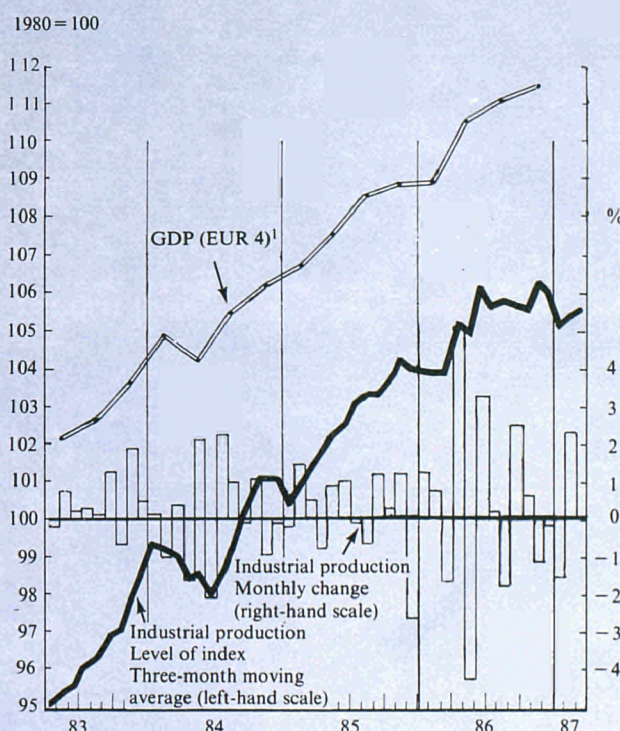
Recent economic trends

*In this number:
Quarterly national accounts;
first quarter 1987*

THE MAIN POINTS IN BRIEF

- As outlined in last month's issue of Supplement A, the recovery in the Community has been more sluggish than was expected last Autumn, due essentially to a more unfavourable international environment and its impact on Community investment.
- Short-term indicators examined in this issue confirm this development.
- Quarterly national accounts data for the first quarter of 1987 show a slow-down in the rate of growth for the Community (EUR4) to 0,2 % (seasonally adjusted annual rate). However, in several countries, the weakness of activity was additionally influenced by the severe weather.
- More recently, industrial production picked up in April but the investment goods sector continued to be weak. While the number unemployed fell somewhat in April, it was still nearly a quarter of a million higher than a year earlier for the Community as a whole. Inflation remained low and the trade surplus is easing from the higher March level. Money supply continued to grow rapidly in March and April but interest rates eased in May while the ECU appreciated somewhat further against the dollar.

GRAPH 1: Industrial and gross domestic product (s.a.) — EUR total



¹ France, Germany, Italy and UK: quarterly figures.

TABLE 1: Major supply and demand components at constant prices
(Percentage change on preceding period, annual rates: seasonally adjusted)

		GDP (a)	Imports (b)	Exports (b)	Foreign balance (a)(b)	Domestic demand	Change in stocks (c)	Final domestic demand	Gross fixed in- vestment	Government consumption	Private consumption
EUR 4											
1983	Q3	1,6	1,1	0,7	-0,1	1,7	0,6	1,1	0,5	-0,5	1,8
	Q4	4,0	9,0	13,4	1,1	2,9	-0,9	3,8	8,0	3,0	2,7
1984	Q1	5,0	9,3	10,1	0,2	4,7	2,7	1,9	3,5	-0,2	2,0
	Q2	-2,6	6,4	-1,0	-1,8	-0,8	-1,5	0,8	-4,1	3,3	1,7
	Q3	5,0	4,2	11,6	1,9	3,1	1,3	1,8	7,8	1,4	-0,1
	Q4	2,7	13,6	13,9	0,2	2,5	0,4	2,1	2,4	3,3	1,6
1985	Q1	2,2	0,5	1,7	0,3	1,9	0,0	1,9	-0,8	0,4	3,3
	Q2	3,2	-1,3	4,4	1,5	1,6	0,1	1,6	-2,6	3,0	2,6
	Q3	3,7	4,5	-0,4	-1,3	5,1	-0,6	5,8	8,4	2,8	5,9
	Q4	0,8	10,3	2,6	-1,8	2,8	0,9	1,9	-0,5	2,6	2,5
1986	Q1	0,4	-6,3	-7,6	-0,4	0,8	-0,4	1,3	-2,5	-0,5	3,2
	Q2	6,6	20,1	15,9	-0,9	7,5	0,7	6,8	9,9	3,5	6,8
	Q3	1,7	8,0	-2,0	-2,7	4,5	1,1	3,4	0,7	5,6	3,6
	Q4	1,5	-3,4	-3,4	0,0	1,5	0,5	1,0	1,9	1,4	0,5
1987	Q1	0,2	-1,2	-1,6	-0,1	0,4	1,6	-1,2	-8,9	0,9	0,7
Federal Republic of Germany											
1984	Q3	8,4	0,0	11,5	3,6	4,8	0,9	3,8	18,1	-0,5	0,6
	Q4	3,5	6,6	19,2	4,1	-0,6	-3,9	3,5	10,0	6,4	0,2
1985	Q1	-0,9	11,8	5,5	-1,5	0,5	6,6	-6,2	-21,8	4,0	-0,6
	Q2	4,0	-2,0	7,0	3,0	1,0	-4,5	5,9	11,0	4,2	4,8
	Q3	7,7	5,7	5,1	0,1	8,1	0,6	7,4	9,6	6,8	0,9
	Q4	-1,7	2,4	-8,7	-3,8	2,2	0,5	1,7	5,1	2,5	0,2
1986	Q1	-3,0	-11,7	-8,6	0,7	-3,7	-0,3	-3,4	-15,8	-3,9	1,7
	Q2	10,7	42,6	23,9	-3,4	15,1	-0,2	15,4	28,5	6,2	14,3
	Q3	3,0	-15,1	-9,1	1,7	1,3	0,6	0,7	-5,2	8,2	0,4
	Q4	-0,6	10,4	-6,3	-5,1	4,8	2,3	2,4	13,5	-2,4	0,4
1987	Q1	-3,1	-6,0	-3,8	0,6	-3,8	3,9	-7,7	-24,6	0,0	-3,6
France											
1984	Q3	2,6	0,5	2,0	0,3	2,3	0,1	2,2	1,6	2,4	2,3
	Q4	1,3	11,9	6,7	-0,9	2,3	3,2	-1,0	-2,9	3,0	-1,6
1985	Q1	-0,2	1,8	-2,8	-1,0	0,9	-4,2	5,3	-0,9	4,9	7,5
	Q2	3,5	-0,2	6,7	1,6	1,9	1,4	0,5	4,5	3,1	-1,6
	Q3	4,3	14,8	-3,3	-3,8	8,5	1,7	6,7	14,2	3,1	5,5
	Q4	0,4	9,5	4,9	-0,9	1,3	-0,4	1,7	-6,3	2,8	4,1
1986	Q1	0,2	-11,2	-8,0	0,8	-0,6	-2,9	2,3	-0,8	0,9	3,9
	Q2	5,1	37,8	2,4	-6,8	12,4	6,8	5,1	12,6	4,0	3,2
	Q3	2,1	9,9	4,1	1,4	3,4	0,5	3,0	-0,5	3,6	3,9
	Q4	2,1	-16,8	-6,7	2,8	-0,6	-2,3	1,7	4,6	3,0	0,3
1987	Q1	0,4	15,6	0,4	-3,3	4,1	2,1	2,0	-1,2	2,8	2,8
Italy											
1984	Q3	6,2	10,7	22,3	2,0	4,0	2,9	1,2	5,0	2,8	-0,6
	Q4	-0,7	17,2	3,8	-3,0	2,3	0,0	2,4	1,1	5,1	2,1
1985	Q1	3,5	-3,8	0,9	1,2	2,3	-1,6	4,0	7,9	4,1	2,6
	Q2	4,3	1,9	-6,1	-1,9	6,1	1,9	4,2	2,1	1,8	5,5
	Q3	0,9	-0,7	7,6	1,8	-0,8	-3,0	2,2	-2,6	3,2	3,6
	Q4	3,3	21,0	12,5	-2,0	5,3	3,0	2,3	1,6	2,9	2,4
1986	Q1	-0,8	7,0	-3,8	-2,6	1,7	-0,9	2,6	-0,2	2,9	3,5
	Q2	10,1	-11,9	17,7	6,9	2,8	-0,6	3,5	8,3	3,5	1,8
	Q3	0,1	30,1	2,1	-6,1	6,3	3,9	2,3	-1,3	2,1	3,7
	Q4	1,2	-16,7	-25,6	-1,9	3,0	0,1	3,1	-3,0	3,7	5,1
1987	Q1	-1,5	18,8	2,3	-3,8	2,3	0,9	1,4	-2,9	1,7	2,8
United Kingdom (d)											
1984	Q3	2,8	7,0	12,2	1,3	1,4	1,7	-0,2	5,9	1,6	-2,7
	Q4	7,0	20,9	21,4	0,1	6,9	3,4	3,4	0,4	-1,0	6,0
1985	Q1	7,1	-9,3	0,9	3,1	3,8	-2,5	6,5	21,1	0,5	4,2
	Q2	1,9	-4,1	7,3	3,2	-1,4	3,4	-4,7	-27,8	1,6	1,6
	Q3	0,5	-0,1	-10,9	-3,3	4,0	-2,6	6,7	15,0	-2,5	7,7
	Q4	0,7	12,2	10,6	-0,3	1,1	-0,8	1,9	-3,2	1,9	3,4
1986	Q1	8,5	-6,4	-8,6	-0,7	9,4	3,5	5,7	14,9	-1,1	5,3
	Q2	-0,8	10,5	14,2	1,0	-1,8	-4,3	2,5	-12,6	3,6	7,2
	Q3	1,0	24,3	3,6	-5,3	6,5	0,1	6,4	11,2	3,2	6,0
	Q4	5,9	12,1	23,1	2,8	3,0	3,9	-0,9	-2,9	-1,6	-0,2
1987	Q1	5,9	-21,5	-2,9	6,2	-0,4	-0,8	0,4	-1,5	-0,6	1,3

(a) F.R. of Germany: GNP.

(b) Goods and services including intra-Community trade. F.R. of Germany: including factor incomes.

(c) Change on previous period as a percentage of previous period's GDP.

(d) The GDP series for the United Kingdom present the estimates from the expenditure side at market prices. The estimates from the expenditure, output and income sides at factor cost give, for the period considered, substantially different results:

	1984	1985				1986				1987
GDP change estimated from the side of	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Expenditure	6,6	7,7	2,2	-0,7	1,5	9,4	-2,5	-0,4	6,6	6,9
Output	3,8	5,7	5,2	-0,4	2,9	1,4	4,4	5,4	3,2	3,9
Income	2,2	1,8	7,5	-0,4	-1,1	7,8	1,4	3,9	2,1	4,9
Average	4,2	4,9	4,8	-0,4	1,1	6,3	1,1	2,9	3,9	5,3

Sources: Federal Republic of Germany (Bundesbank), France (INSEE), Italy (ISTAT) and United Kingdom (CSO). Figures for Germany do not include the adjustment for calendar irregularities.

Recent trends in the Community economy

Output growth weaker in first quarter. — Quarterly national accounts data for the Community in the first quarter of 1987 show a rise of 0,2 % in real gross product on the previous quarter - seasonally adjusted annual rate - after the increase of 1,5 % in the preceding quarter. The foreign balance, in contrast to the experience since the third quarter of 1985, exerted a positive impact on growth as imports slowed more rapidly than exports. In general domestic demand (including stockbuilding) was relatively weak with investment substantially down on the previous quarter.

In the *Federal Republic of Germany* GNP fell by 3,1 % (seasonally adjusted at an annual rate) on the previous quarter after a small fall in the final quarter of 1986. Much of the decline can be attributed to the particularly cold weather which severely disrupted construction activity. On the expenditure side, private consumption fell (-3,6 %) for the first time since the beginning of 1985 and investment expenditure was substantially down on the fourth quarter of 1986. Despite the high contribution of stockbuilding to GNP, total domestic demand fell by 3,8 %. This was to some extent moderated by the foreign balance which contributed 0,6 percentage points to growth with imports falling more rapidly than exports.

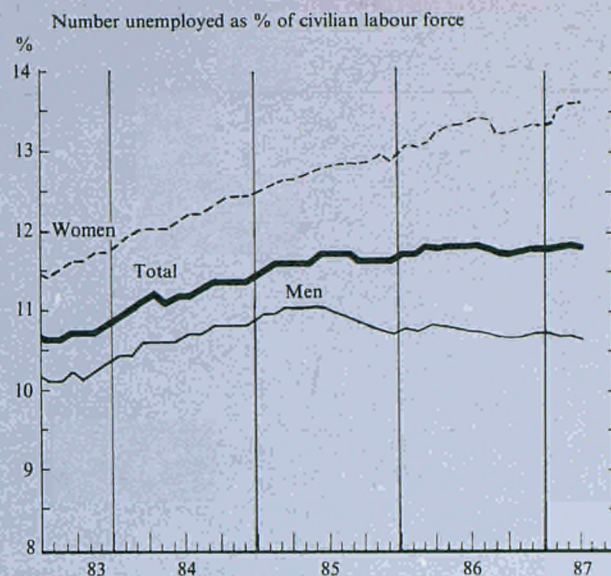
In *France* GDP rose by 0,4 % on the previous quarter after the sustained growth registered in the three preceding quarters. Climatic conditions can be considered as the main contributory factor to this slowdown with most production branches more or less stagnating except the energy sector. According to preliminary estimates for the components of expenditure, the first quarter was characterized by a decline in gross fixed capital formation, a recovery in imports and a continuation of the fall in exports in evidence in the last quarter of 1986.

Italian GDP was also weaker in the first quarter declining by 1,5 %. Private and public consumption were the main factors stimulating growth and stockbuilding rose. On the other hand, gross fixed capital formation continued to fall while the foreign balance reduced growth by 3,8 percentage points as imports recovered sharply from the decline in the fourth quarter.

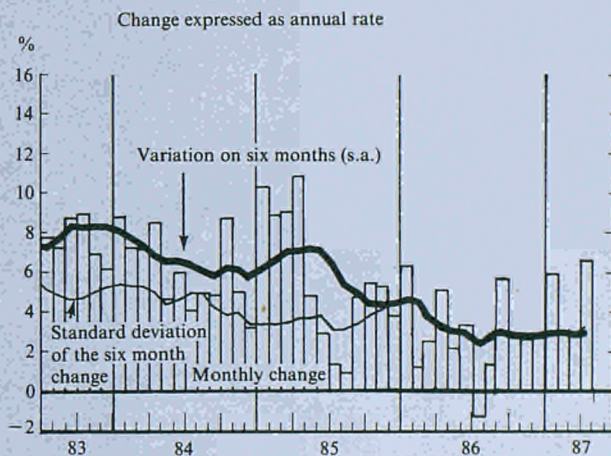
In the *United Kingdom* the expenditure-based measure of GDP rose by 5,9 % in the first quarter, a similar rate of growth to that registered one quarter earlier. Although private consumption recovered somewhat from the sluggishness of the last quarter of 1986, all other components of domestic demand were weak and this aggregate declined by 0,4 %. However, the foreign balance effect was sharply positive, contributing 6,2 percentage points to growth, as imports fell considerably more sharply than exports. The output-based measure of growth, considered by the authorities as the best indication of short term changes, picked up slightly to grow at 4 %, with energy and construction particularly dynamic.

Industrial production improves in April. — After its recovery in February from the poor performance of the previous three months, industrial output more or less marked time in March, growing by 0,1 % on a month-to-month basis, seasonally adjusted. Preliminary information for April does, however, indicate a more buoyant performance in that month, with industrial production sharply higher in Germany (2,2 % up on March), where construction activity, which had been affected by the cold weather, recovered strongly and where the output of basic products grew rapidly. However the investment goods sector showed less dynamism. In Italy too the buoyancy of the consumer and intermediate goods sectors in April was not shared by investment goods which were only 0,8 % up on a year earlier. In the United Kingdom, where production was 0,3 % higher than March, the output of investment goods has been progressing steadily since the beginning of the year. For the Community as a whole the level of industrial production in March was 3,4 % higher than a year earlier, with output in all Community countries, except Belgium (-0,1 %), Denmark (-2,5 %) and Luxembourg (-5,5 %), significantly up on a year earlier. The year-to-year increases in output ranged from 3 % in Germany to 9,9 % in Italy.

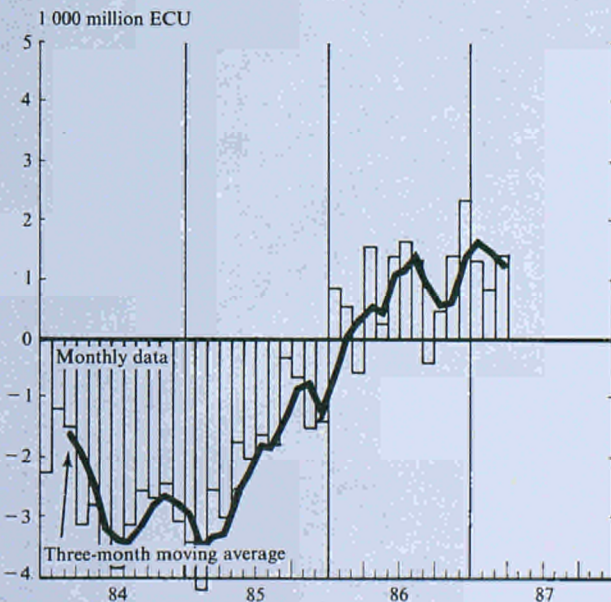
GRAPH 2: Unemployment (s.a.) EUR 12



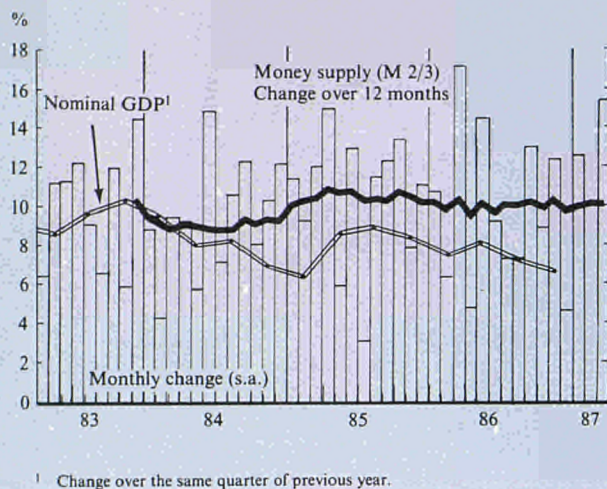
GRAPH 3: Consumer prices EUR 12



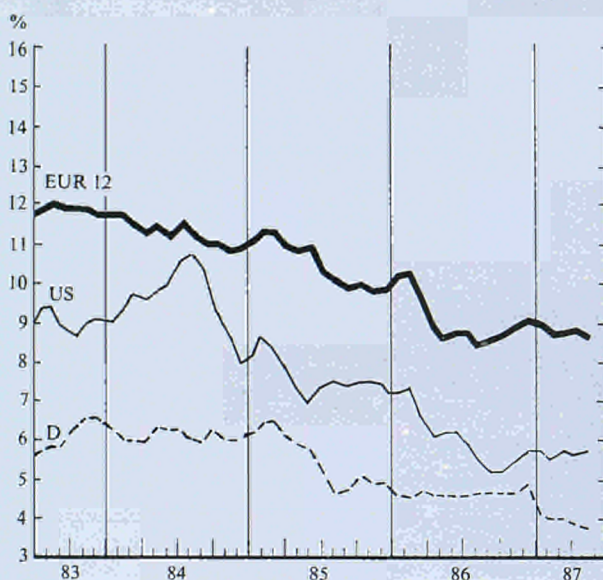
GRAPH 4: Trade balance (s.a.) EUR 12



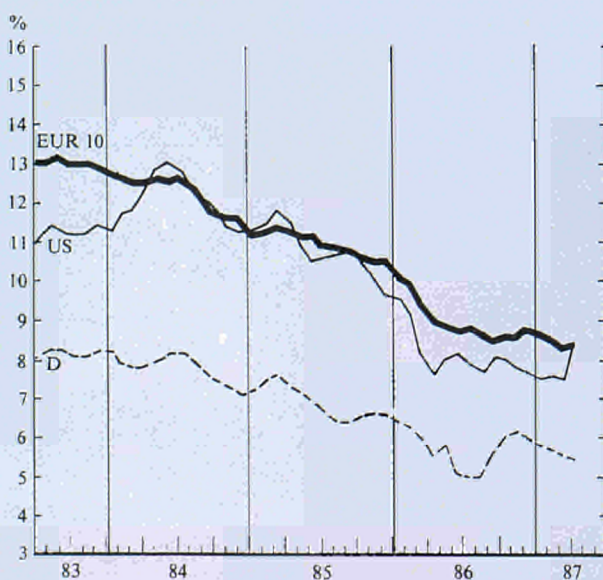
GRAPH 5: Money supply (EUR 12) and nominal GDP (EUR 4)



GRAPH 6: Short-term interest rates



GRAPH 7: Long-term interest rates



Unemployment somewhat lower. — In April the number of registered unemployed, seasonally adjusted, in the Community (EUR12) fell by 16 000 to 16,3 million (11,8 % of the civilian labour force) but was still nearly a quarter of a million higher than a year earlier. Numbers unemployed (s.a.) fell in five Member States in April (Germany, France, the Netherlands, Portugal and the United Kingdom) but only in the latter two countries has the downward movement been in evidence for more than one month. On a year-to-year basis, Community unemployment was 1,4 % higher than in April last, with decreases being recorded in Germany (−0,6 %), Belgium (−1,7 %), the Netherlands (−4,3 %), the United Kingdom (−6,6 %) and Portugal (−8,4 %), while other Member States registered increases ranging from 0,6 % in Greece to 17,4 % in Luxembourg.

Consumer price increases remain low. — The index of consumer prices in the Community in April increased by 0,5 % on a month earlier after increases of 0,3 % in the previous two months. However, on a seasonally adjusted basis, the month-to-month rise in April (0,3 %) was only marginally higher than the 0,2 % recorded in February and March. The sharp rise in the United Kingdom monthly increase in April was principally due to the annual increase in local authority rates and rents; with the seasonally adjusted figure registering a much smaller rise of 0,2 %. The absence of budgetary adjustments to indirect taxes did have a moderating effect on the April figure. Elsewhere, apart from Greece where the monthly rise was 2,3 %, April increases were 0,5 % or below and in Luxembourg prices fell by 0,2 %. The underlying trend rate of inflation, measured as the seasonally adjusted rate of change over six months at an annual rate, for the Community as a whole, after dropping in March to 2,8 %, moved back to its earlier level in April (3,2 %), while divergence in price trends between Member States has continued to narrow since October 1986.

Trade surplus temporarily higher in March. — The Community's trade surplus (EUR12) in March, at 1 391 million ECU, returned to the level of the beginning of the year after a February result when surpluses were recorded only in Germany and Ireland. In March, the fall in the German trade surplus and the higher French deficit was more than counterbalanced by improvements in the Benelux countries, Denmark, Italy and the United Kingdom. On the basis of preliminary information for April, a lower German surplus and increases in deficits in Italy and the United Kingdom are likely to result in a reduced Community surplus.

Money supply continues to grow rapidly. — In March the rate of increase in the money supply for the Community as a whole (s.a.) was 1,2 % with rates of growth picking up in all countries except Germany, Italy and Ireland. After compensating for declines in the previous two months, money supply grew by 0,5 % in Denmark in April, while in Germany a similar increase was recorded after lower rises in February and March. The acceleration in German money supply in April was mainly a result of the pick-up in bank lending to firms and individuals, although public sector cash transactions also had an expansionary influence and monetary capital formation tailed off. Central bank money stock in Germany also continued to grow rapidly and, in May, the seasonally adjusted annual growth rate of nearly 8 % compared to the fourth quarter of 1986 was above the target range of 3 to 6 % for 1987. High rates of growth in liquid assets held by the public (ALP) in Spain, meant that the accumulated growth until April in annualised terms was nearly 14 % and this led the Bank of Spain to tighten monetary policy to bring rates of growth back within the target band set for 1987. In France the acceleration of the broad aggregates, which began in March, continued in April, taking the growth of M_3 slightly above the upper end of the target range. The sharp rise in broad money in Ireland in April was principally due to a substantial increase in Irish pound deposits. In the United Kingdom the monthly rate of increase of M_3 , which is now no longer a monetary policy target variable, slowed down to 1,8 % in April but the annual rate of change was over 20 %. The principal narrow measure of money M_0 was in the upper half of its 2–6 % target range.

Stickiness of long-term interest rates. — Long-term interest rates in the Community moved up slightly in April but the increase was significantly less than the rise in US rates (see Graph 7). Higher long-term rates determined as they are by market forces came about although monetary policy kept short-term rates relatively stable. Short-term rates even eased somewhat to 8,7 % in May after their slight rise in April. The April increase was essentially due to the sharp increase in Spanish rates by over 4 % to 20,6 %, as the Bank of Spain pursued a more restrictive policy to contain the growth of monetary aggregates. In May short-term rates eased in Germany, the United Kingdom, Belgium, Spain and Greece, and were unchanged or marginally higher in other Community countries. The stickiness of the long end of the market, in spite of slightly easier short term rates, demonstrates the limited possibility for monetary policy to influence in present conditions long-term rates significantly.

ECU appreciates further in May. — The ECU continued to appreciate against the dollar in May as US trade figures were assessed as confirming the slow correction in the size of the current account imbalance. The dollar did recover somewhat towards the end of the month, ahead of the Venice summit and with the announcement of the Japanese economic package. The weakness of the dollar did however create some tension within the EMS fluctuation band and substantial intramarginal intervention was reported early in the month to defend the FF, LIT, BFR and the DKR. The lira fell sharply in the EMS band on 8 May reaching the bottom of the narrow band. According to official sources, the lira's slide was controlled and allowed to take place ahead of the announcement of the relaxation of capital controls, in order to place the currency in a better position to cope with any strains that capital liberalisation might cause. Tensions continued to be apparent in the middle of the month as far as the lira and the French franc were concerned, as the dollar moved downwards. However, as the dollar firmed towards the end of the month, tensions eased. The pound sterling was in heavy demand at the beginning of the month, with large capital inflows provoking market intervention by the authorities, and, despite some weakness at the end of the month, it ended the month registering an appreciation of just over 1 %. The peseta too appreciated slightly against the ECU, while the escudo, and to a more significant degree, the drachma recorded some depreciation.

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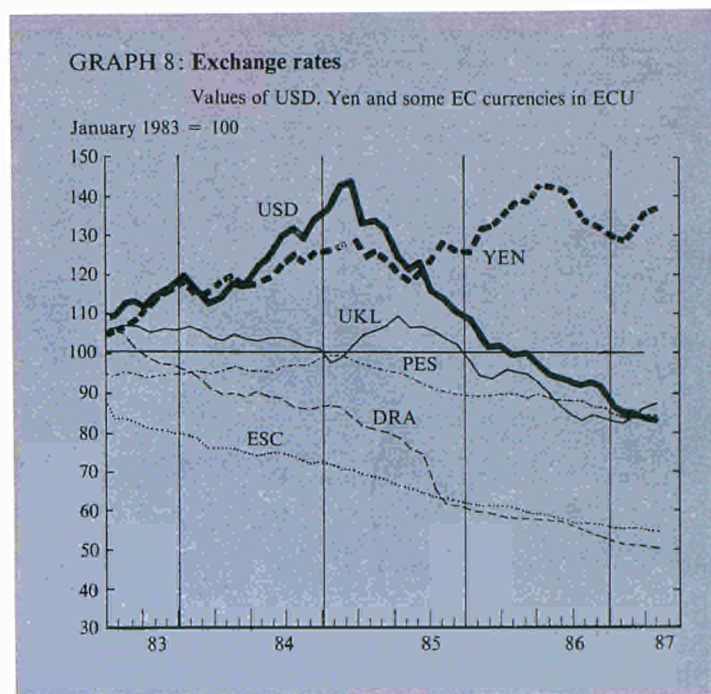


TABLE A.1: Industrial production (a) — Percentage change on preceding period (s.a.)

	Percentage change on preceding period (%)																			Change over 12 months % (b)	
	1982	1983	1984	1985	1986	1986				1987				1986				1987			
						I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March				
B	0	2.0	2.5	2.5	1.3	-0.1	-1.5	1.3	-0.2	:	-1.8	2.5	0.9	-3.4	1.3	:	:	:	-0.1		
DK	2.7	3.2	9.7	4.2	4.2	-1.9	4.6	-3.4	0.9	:	3.9	2.3	-7.4	6.2	-8.8	4.8	:	:	-2.5		
D	-2.9	0.6	3.0	5.7	2.1	-0.1	0.7	0.6	-1.0	-1.6	-0.7	0.7	-1.0	-1.2	-1.5	2.1	-1.4	:	3.0		
GR	1.1	-0.1	1.6	3.4	-0.2	-5.2	4.6	-1.7	-0.9	:	1.5	1.9	1.9	-1.3	-3.9	8.5	:	:	5.6		
E	-1.1	2.7	0.8	2.0	3.0	-3.1	5.5	-2.0	2.0	:	5.6	3.7	-3.4	-1.5	-2.0	5.3	:	:	4.8		
F	-0.5	0	2.0	1.0	1.0	-1.6	1.3	1.3	-1.3	-0.3	0	0	-1.9	0	-2.0	3.0	1.0	:	6.7		
IRL	-0.9	6.6	12.4	2.3	2.7	1.1	-0.4	0	3.7	:	1.3	1.8	-0.8	-2.0	-2.1	4.5	:	:	4.1		
I	-3.0	-3.2	3.4	1.2	2.8	1.6	1.1	-0.5	1.6	-0.3	0.6	1.4	0.0	1.0	-0.9	-0.3	0.4	:	9.9		
L	0.9	5.4	13.3	6.9	2.8	1.8	-0.8	-2.1	-0.6	:	-0.2	-0.5	5.3	-8.7	5.6	-2.5	:	:	-5.5		
NL	-4.1	3.2	4.1	4.0	1.0	1.9	-2.5	2.6	-1.6	3.2	2.8	-3.7	1.9	-2.8	4.8	-0.9	0.9	:	4.5		
P	4.6	1.6	-0.1	10.9	4.7	-2.7	6.6	2.9	-2.1	:	4.3	-3.4	-1.1	0.9	-4.5	:	:	:	3.4		
UK	1.9	3.6	1.3	4.7	1.8	0.6	0.1	1.5	-0.1	1.4	-0.4	0.1	0.1	-0.7	0.6	1.5	0.4	:	5.4		
EUR 12	-1.2	0.9	2.2	3.4	(2.0)	-0.3	1.9	-0.4	0.6	(-0.5)	2.5	0.6	-1.1	-0.1	(-1.7)	(2.3)	(0.1)	:	(3.4)		
USA	-7.4	7.8	12.3	2.1	2.1	0.8	0	0.8	0.8	(0.7)	0	0.3	0.2	0.7	(-0.2)	(0.7)	(-0.2)	:	(3.4)		
JAP	0.3	3.6	11.1	4.6	-0.3	0.2	0.3	-0.3	0	1.3	2.9	-1.3	-1.5	3.2	-0.4	-0.6	(1.7)	:	(0.9)		

TABLE A.2: Unemployment rate — Number of unemployed as percentage of civilian labour force (s.a.)

	1986					1987				1986			1987				Change over 12 months %(b)	
	1982	1983	1984	1985	1986	I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March		Apr.
B (f)	13.0	14.3	14.4	13.6	12.6	12.7	12.6	12.3	12.5	12.4	12.5	12.4	12.6	12.5	12.4	12.4	12.5	-1.7
DK	9.3	10.1	9.9	8.7	(7.6)	7.8	7.4	7.5	7.3	7.6	6.9	7.4	7.5	(7.7)	(7.4)	(7.8)	(7.9)	(7.4)
D	6.9	8.4	8.4	8.4	8.1	8.4	8.2	8.0	7.8	8.0	7.9	7.8	7.8	7.9	7.9	8.1	8.0	-0.6
GR	1.4	1.6	1.8	2.2	2.8	2.7	2.8	2.8	2.7	2.8	2.7	2.7	2.8	2.7	3.0	2.8	2.9	0.6
E	14.3	16.6	18.6	19.7	20.3	20.1	20.1	20.1	20.6	21.0	20.4	20.7	20.8	20.9	21.0	21.1	21.2	6.1
F	8.7	8.9	10.0	10.5	10.7	10.5	10.7	10.8	10.9	11.2	10.8	10.9	11.0	11.1	11.2	11.4	11.3	6.8
IRL	12.3	14.9	16.6	18.0	18.6	18.2	18.3	18.6	18.9	19.2	18.7	18.9	19.2	19.2	19.2	19.2	19.6	7.9
I	9.7	10.9	11.9	12.9	13.8	13.5	13.8	13.9	14.0	14.1	14.0	13.8	14.1	14.0	14.2	14.1	14.3	5.1
L	1.3	1.6	1.8	1.7	1.5	1.5	1.5	1.4	1.4	1.6	1.3	1.4	1.5	1.5	1.6	1.8	1.7	17.4
NL (f)	(11.8)	(14.3)	14.5	13.3	12.4	12.7	12.4	12.3	12.1	12.1	12.2	12.0	12.0	12.0	12.1	12.1	12.1	-4.3
P	5.7	5.6	6.8	7.7	8.3	8.2	8.3	8.3	8.3	8.3	8.4	8.1	8.3	8.5	8.3	8.0	7.7	-8.4
UK	(10.6)	(11.6)	11.8	12.0	12.0	12.0	12.1	12.0	11.8	11.5	11.8	11.8	11.8	11.6	11.5	11.4	11.3	-6.6
EUR 12	(9.4)	(10.6)	11.2	11.6	(11.7)	11.7	11.7	11.7	11.7	(11.8)	11.7	11.7	11.8	(11.8)	(11.8)	(11.8)	11.8	1.4
USA	9.7	9.6	7.5	7.2	7.0	7.1	7.1	6.9	6.8	6.7	6.9	6.9	6.7	6.7	6.7	6.6	:	-6.3
JAP (g)	2.4	2.7	2.7	2.6	2.8	2.7	2.8	2.9	2.8	2.9	2.7	2.8	2.7	3.0	2.9	2.9	:	6.1

TABLE A.3: Consumer price index — Percentage change on preceding period

	1986					1987					1986				1987				Change over 12 months % (b)
	1982	1983	1984	1985	1986	1986				I	1986			1987					
						I	II	III	IV		Oct.	Nov.	Dec.	Jan.	Feb.	March	Apr.		
B	8,7	7,7	6,3	4,9	1,3	0,2	0,1	0,2	0,1	0,6	-0,1	-0,1	0,1	0,4	0,2	0,1	0,5	1,4	
DK	10,1	6,9	6,3	4,7	3,6	-0,1	3,3	0,1	1,0	0,5	0,2	0,3	-0,1	0,2	-0,1	0,9	(0,1)	(2,8)	
D	5,3	3,3	2,4	2,2	-0,2	0	-0,3	-0,5	-0,3	0,6	-0,3	-0,1	0,2	0,4	0,1	0,0	0,2	0,1	
GR	21,0	20,5	18,3	19,4	23,1	6,0	4,3	2,0	5,9	3,2	2,6	0,7	0,9	1,1	0,4	3,2	2,3	17,6	
E	14,4	12,2	11,2	8,8	8,8	3,9	1,1	2,3	1,2	1,4	0,4	-0,2	0,5	0,7	0,4	0,6	0,2	6,2	
F	11,8	9,6	7,3	5,9	2,7	0,1	0,7	0,6	0,7	1,2	0,2	0,1	0,1	0,9	0,2	0,1	0,5	3,4	
IRL (h)	17,2	10,4	8,6	5,4	3,8	1,6	1,2	0,2	0,2	1,8	(0,1)	(0,1)	(0,6)	(0,6)	(0,6)	:	:	3,4	
I	16,5	14,7	10,8	9,2	5,8	1,6	1,0	0,6	1,2	1,4	0,4	0,5	0,3	0,6	0,4	0,4	(0,3)	(4,3)	
L	9,4	8,7	5,6	4,2	0,3	-0,4	-0,6	-0,3	0,2	0,2	0,1	0	-0,1	0,2	0,2	0,0	-0,2	-0,2	
NL	5,7	2,7	3,2	2,3	0,3	-0,4	0,4	-0,9	1,0	-1,3	0,7	0,1	-0,2	-1,4	0,2	0,2	(0,3)	(-0,7)	
P	22,7	25,1	28,9	19,6	11,8	4,9	2,3	0,8	2,4	3,8	0,7	0,9	1,7	1,2	1,0	1,4	0,5	8,9	
UK	8,6	4,6	5,0	6,1	3,4	0,7	1,3	0,1	1,3	1,2	0,2	0,8	0,3	0,4	0,4	0,2	1,2	4,2	
EUR 12	10,7	8,6	7,4	6,1	3,6	1,0	0,8	0,4	0,8	1,0	0,2	0,2	0,3	0,5	0,3	(0,3)	(0,5)	(3,2)	
USA	6,2	3,2	4,3	3,6	1,9	0,2	-0,2	0,7	0,6	1,1	0,1	0,1	0,1	0,6	0,4	0,4	0,4	3,7	
JAP	2,9	1,8	2,4	2,0	0,7	0,1	0,2	-0,5	-0,1	-0,6	0,1	-0,5	-0,2	-0,4	0	0,4	:	-0,5	

TABLE A.4: Visible trade balance — fob/cif, million ECU (s.a.)

						1986				1987	1986				1987			Change over 12 months %(b)
	1982	1983	1984	1985	1986	I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	
B/L	-3082	-2435	-4897	-3514	146	-304	-312	-52	930	-84	-396	690	157	83	-8	-177	101	68
DK	-1866	-740	-1108	-1538	-1714	-450	-576	-579	-226	72	-164	-109	-67	-49	32	-26	65	111
D	21599	18501	24136	32963	53044	10809	13308	14718	14502	14358	4777	4506	4788	5208	4479	5224	4655	1139
GR	-5826	-5800	-6048	-7266	-5809	-1938	-1452	-1631	-1126	:	-563	-675	-528	78	-317	:	:	239
E	:	:	-4711	-5582	-6306	-1113	-1434	-1757	-2001	:	-695	-777	-664	-560	-329	-878	:	613
F	-24457	-15628	-13130	-13428	-9699	-2259	-3563	-2583	-1819	-2588	-1100	-862	-621	-336	-744	-691	-1153	-94
IRL	-1574	-621	81	430	983	318	134	242	262	338	34	29	148	86	178	111	49	-143
I	-12513	-8516	-13849	-16130	-2459	-2849	-149	502	473	-1117	214	-120	188	405	-291	-621	-206	559
NL	3500	4499	4740	3874	4161	1185	1531	1554	206	-470	413	228	63	-85	-158	-289	-24	-57
P	:	:	-3467	-2735	-1297	-366	-334	-329	-271	-716	-123	-99	-11	-160	-166	-269	-281	-116
UK	-3295	-9681	-14005	-11540	-19868	-3385	-3904	-5756	-6180	-3561	-2043	-1908	-2211	-2061	-1409	-1108	-1043	820
EUR 12 (j)	:	:	-32258	-24444	11161	951	3202	2714	4293	4580	-343	597	1384	2312	1361	828	1391	450
USA (i)	-43435	-77911	-154992	-194856	-169039	-41188	-42412	-44291	-41331	-36411	-14337	-14143	-14998	-12189	-11035	-13333	-12043	716
JAP	7034	23072	42599	60497	84010	16828	20300	23688	21839	21523	7943	7141	7806	6892	8103	7283	6137	264

TABLE A.6: Short-term interest rates (m)

						1986				1987	1986			1987					Change over 12 months %(e)
	1982	1983	1984	1985	1986	I	II	III	IV	I	Nov.	Dec.	Jan.	Feb.	March	April	May		
B	14,1	10,5	11,5	9,6	8,0	9,3	7,3	7,3	7,5	7,4	7,4	7,5	7,8	7,7	7,4	7,3	7,2	-0,4	
DK	16,4	12,1	11,5	10,0	9,1	9,1	9,1	9,2	9,2	10,7	9,2	9,2	11,0	11,0	10,7	10,0	10,0	1,0	
D	8,8	5,8	6,0	5,4	4,6	4,6	4,6	4,6	4,8	4,0	4,7	4,8	4,1	4,0	4,0	3,9	3,8	-0,8	
GR	20,2	19,4	15,7	17,1	19,9	21,8	22,1	15,8	18,9	23,3	20,8	18,9	14,4	19,4	23,3	16,6	16,4	-5,5	
E	16,3	20,1	14,9	12,2	11,6	11,8	12,5	11,5	12,1	16,2	11,5	12,1	12,5	12,5	16,2	20,6	17,9	6,6	
F	14,6	12,5	11,7	9,9	7,8	8,3	7,2	7,3	8,5	7,9	7,6	8,5	8,6	8,3	7,9	8,1	8,2	0,9	
IRL	17,5	14,1	13,3	11,9	12,6	14,5	9,0	11,0	13,9	13,3	14,4	13,9	14,1	14,3	13,3	10,7	11,1	0,8	
I	20,1	18,1	17,2	15,1	12,7	14,8	12,1	10,9	11,6	10,6	11,6	11,6	11,8	11,4	10,6	10,3	10,8	-1,1	
NL	8,3	5,7	6,1	6,4	5,7	5,4	6,1	5,4	6,4	5,5	5,8	6,4	5,4	5,4	5,5	5,2	5,2	-0,5	
P	16,8	20,9	22,5	21,0	15,4	16,0	13,7	14,9	14,1	13,2	13,3	14,1	13,4	13,4	13,2	13,2	13,4	-3,2	
UK	12,2	10,1	10,1	12,3	10,9	11,4	9,8	10,9	11,2	9,9	11,4	11,2	11,1	10,8	9,9	9,2	8,9	-1,0	
EUR 12(n)	13,8	12,0	11,2	10,5	9,0	9,7	8,7	8,5	9,1	8,8	8,9	9,1	9,0	8,8	8,8	8,9	8,7	0,1	
USA	10,6	8,7	9,5	7,5	6,0	6,5	6,1	5,4	5,8	5,8	5,5	5,8	5,8	5,6	5,8	5,7	5,8	-0,7	
JAP	6,8	6,5	6,3	6,5	5,0	5,3	4,7	4,8	4,3	4,0	4,3	4,3	4,3	3,8	4,0	4,0	3,7	-1,0	

TABLE A.7: Long-term interest rates (o)

	1982	1983	1984	1985	1986	1986				1987	1986				1987				Change over 12 months % (e)
						I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	Apr.		
B	13,5	11,8	12,0	10,6	7,9	8,4	7,9	7,4	7,5	7,7	7,3	7,4	7,7	7,6	7,6	7,6	7,7	0,2	
DK	20,5	14,4	14,0	11,6	10,6	9,5	10,2	11,1	11,6	12,1	11,0	11,7	11,6	11,3	12,4	12,1	11,9	2,7	
D	9,0	7,9	7,8	6,9	5,9	5,9	5,9	5,8	5,9	5,6	6,0	6,1	5,9	5,8	5,7	5,6	5,5	0	
GR	15,4	18,2	18,5	15,8	15,8	15,1	17,1	13,6	14,7	17,5	14,5	14,7	14,7	17,7	17,2	17,5	17,8	1,1	
E	16,0	16,9	16,5	13,4	11,4	12,2	11,0	11,1	10,4	11,0	10,2	10,3	10,4	10,7	10,6	11,0	12,0	-0,1	
F	15,6	13,6	12,5	10,9	8,4	8,4	8,0	7,8	8,9	8,5	8,1	8,7	8,9	8,9	8,8	8,5	8,7	0,8	
IRL	17,0	13,9	14,6	12,7	11,1	9,4	9,3	12,5	13,0	11,2	13,7	13,5	13,0	12,6	12,4	11,2	(10,5)	1,9	
I	20,9	18,0	14,9	13,0	10,5	12,4	9,7	9,3	8,9	8,7	9,2	9,1	8,9	8,8	8,7	8,7	8,8	-3,1	
L	10,4	9,8	10,3	9,5	8,7	9,1	8,7	8,5	8,1	8,2	8,5	8,5	8,1	8,1	8,3	8,2	8,1	-0,9	
NL	10,5	8,8	8,6	7,8	6,8	6,9	6,9	6,5	6,9	6,8	6,7	6,7	6,9	6,7	6,8	6,8	6,8	0,3	
P	25,3	30,4	32,5	25,4	17,9	20,3	19,4	15,6	16,0	15,4	14,9	15,0	16,0	14,8	15,0	15,4	15,4	-3,9	
UK	12,7	10,8	10,7	10,6	9,8	8,9	9,3	10,6	10,3	9,2	10,6	10,8	10,3	10,0	9,6	9,2	8,9	0,1	
EUR 12 (n)	14,4	12,8	12,1	10,6	8,9	9,2	8,6	8,6	8,7	8,4	8,6	8,8	8,7	8,7	8,6	8,4	8,5	-0,4	
USA	12,2	10,8	12,0	10,8	8,1	8,0	8,2	8,1	7,7	8,5	8,0	7,8	7,7	7,6	7,7	7,6	8,5	0,9	
JAP	8,3	7,8	7,3	6,5	5,2	4,7	5,1	5,7	5,2	4,0	5,5	5,4	5,2	5,0	4,9	4,4	4,0	-0,8	

TABLE A.8: Value of ECU = ... units of national currency or SDR

	1986																	Change over 12 months % (b)
	1982	1983	1984	1985	1986	1986				1987		1986			1987			
						I	II	III	IV	I	Nov.	Dec.	Jan.	Feb.	March	April	May	
BFR/LFR	44,68	45,44	45,44	44,91	43,78	44,35	43,93	43,65	43,27	42,87	43,33	43,28	42,87	42,73	42,99	43,05	43,06	-2,0
DKR	8,15	8,13	8,15	8,02	7,94	7,98	7,96	7,94	7,86	7,81	7,87	7,86	7,83	7,79	7,81	7,83	7,81	-1,9
DM	2,38	2,27	2,24	2,23	2,13	2,17	2,15	2,11	2,08	2,07	2,09	2,08	2,06	2,06	2,08	2,08	2,08	-3,5
DR	65,30	78,09	88,44	105,7	137,4	133,2	135,0	137,9	143,4	151,1	143,3	146,6	149,8	151,3	152,1	152,9	154,8	14,9
PTA	107,6	127,5	126,6	129,1	137,5	136,2	136,9	137,0	139,7	145,0	140,1	140,6	144,0	145,4	145,7	145,6	145,4	6,3
FF	6,43	6,77	6,87	6,80	6,80	6,66	6,85	6,87	6,82	6,89	6,82	6,83	6,88	6,87	6,81	6,92	6,94	1,2
IRL	0,690	0,715	0,726	0,715	0,734	0,715	0,708	0,745	0,765	0,775	0,765	0,765	0,772	0,775	0,777	0,777	0,776	9,8
LIT	1324	1350	1381	1447	1462	1476	1476	1454	1443	1469	1443	1443	1463	1468	1476	1482	1500	1,6
HFL	2,62	2,54	2,52	2,51	2,40	2,45	2,42	2,38	2,35	2,33	2,36	2,35	2,33	2,33	2,34	2,34	2,34	-3,4
ESC	78,0	98,7	116,3	130,2	147,1	141,3	143,8	149,0	153,9	159,4	153,8	155,2	158,5	160,0	159,9	160,7	161,5	12,3
UKL	0,561	0,587	0,591	0,589	0,672	0,642	0,636	0,681	0,727	0,729	0,723	0,727	0,738	0,740	0,711	0,704	0,696	9,7
USD	0,981	0,890	0,789	0,762	0,984	0,924	0,959	1,013	1,038	1,125	1,029	1,045	1,112	1,130	1,132	1,147	1,162	20,5
YEN	243,5	211,4	187,0	180,5	165,0	173,3	162,8	157,8	166,4	172,2	167,7	169,5	171,9	173,4	171,3	163,9	163,1	1,4
DTS	0,888	0,833	0,767	0,749	0,838	0,821	0,828	0,842	0,859	0,895	0,858	0,865	0,897	0,896	0,892	0,888	0,891	7,9

TABLE A.9: Effective exchange rates: export aspect (p) — Percentage change on preceding period

	1986					1987				1986				1987				Change over 12 months % (b)
	1982	1983	1984	1985	1986	1986				1987								
						I	II	III	IV	I	Nov.	Dec.	Jan.	Feb.	March	April	May	
B/L	-9,2	-2,8	-2,2	0,9	6,4	2,0	1,3	1,5	1,7	2,6	-0,1	0,4	2,1	0,6	-0,8	-0,3	0,1	5,3
DK	-4,4	-0,6	-3,7	1,2	7,5	2,3	0,6	0,6	2,7	2,7	-0,1	0,5	2,1	0,9	-0,8	-0,5	0,4	7,1
D	5,0	4,0	-1,5	0,4	11,3	3,7	1,2	1,9	2,9	3,1	0	0,7	2,5	0,5	-0,9	-0,3	0,3	9,1
GR	-8,0	-18,1	-14,2	-15,7	-20,4	-3,1	-1,1	3,4	-3,1	-3,2	-1,7	-1,9	-0,7	-0,6	-0,7	-0,6	-0,9	-9,6
E	-6,0	-17,2	-2,3	-2,2	-0,5	1,5	-0,1	-1,4	-0,8	-1,4	-1,0	0,1	-0,7	-0,5	-0,5	-0,1	0,5	-1,2
F	-8,3	-7,1	-4,7	1,1	5,5	2,9	-2,9	0,7	1,9	1,2	0,2	0,2	0,9	0,6	-0,8	-0,4	0	3,3
IRL	-1,1	-4,1	-4,2	1,1	4,8	2,7	1,2	-2,6	-0,7	0,6	-0,2	0,6	0,6	0	-1,1	-0,3	0,2	-3,7
I	-6,9	-3,8	-5,7	-5,1	4,7	3,1	0,4	2,8	2,1	0,3	0	0,5	0,2	0,1	-0,8	-0,6	-1,0	3,1
NL	5,1	2,0	-1,5	0,3	8,2	2,6	1,1	2,5	1,9	2,2	0	0,5	2,0	0,2	-0,8	-0,1	0,3	6,5
P	-12,9	-21,1	-17,3	-11,4	-6,7	-0,4	-1,3	-2,1	-2,0	-1,7	-0,6	-0,5	-0,7	-0,6	-0,3	-0,7	-0,4	-7,1
UK	-4,4	-7,0	-4,7	-0,2	-6,7	-6,0	1,6	-5,5	-5,6	2,2	0,9	-0,1	0,4	0,1	4,2	0,9	1,6	-4,0
EUR 12	-7,0	-8,5	-9,1	-1,8	10,8	3,4	0,4	2,0	2,0	4,4	0,3	0,9	3,2	0,8	-0,2	-0,5	0,6	8,9
USA	12,0	5,7	7,8	4,0	-18,4	-5,7	-4,6	-4,1	-0,3	-5,7	1,6	-0,9	-4,4	-1,4	-0,9	-2,3	-0,8	-12,7
JAP	-5,0	10,9	5,5	3,0	28,8	7,3	8,7	7,6	-3,8	1,2	-3,7	-0,3	2,5	-0,1	0,9	5,1	1,3	10,8

Principal economic policy measures - May 1987

Community (EUR)

None.

Belgium (B)

18.5. The central bank cuts the interest rate on one-, two- and three-month Treasury certificates by 0.10 %, to 7.05 %, 7.10 % and 7.15 % respectively. On 21 May the bank lowers the discount rate from 8 % to 7.75 % and the rate for advances from 8.25 % to 8 %.

Denmark (DK)

None.

Federal Republic of Germany (D)

None.

Greece (GR)

8.5. The Minister for the National Economy decides that the basic wage indexation rate for the second four months of 1987 will be 1.0 %. This rate is derived from the 1.6 % rise in consumer prices forecast for the second four months, less the 0.6 % impact of imported inflation.

Spain (E)

4.5. The Bank of Spain raises the interest rates on its loans to financial institutions to 19.063 % (compared with 12.2 % in January and 16.875 % the previous day) for the 'first window' (by auction) and 22 % for the 'second window' (loans directly requested by the institution).

12.5. The Bank of Spain accedes to the Agreement between the central banks of the Member States of the Community laying down the operating procedures for the EMS and under which the central bank undertakes to keep 20 % of its gold and dollar reserves on deposit with the European Monetary Cooperation Fund.

19.5. The Cabinet decides to launch the 'entry on account' system for government securities. The chief characteristic of the new system is that the physical transfers of securities and the intervention of approved intermediaries will not be required for operations in such securities.

28.5. The Bank of Spain announces that the ECU will be officially listed in Madrid from 1 July 1987. As a result, it will be possible for all foreign trade operations to be effected in this currency.

France (F)

12.5. The Minister for Social Security and Employment evaluates the total cost, in a full year, of the plan to assist the long-term unemployed at FF 4 327 000 million: the breakdown is FF 855 million for employment contracts offering reintegration into working life by alternating work and training, FF 3 372 000 million for conventional training courses and FF 100 million for contracts involving retraining.

18.5. The Minister for Economic and Financial Affairs raises from FF 72 000 to FF 80 000 the ceiling on savings bank deposits on which no tax is payable.

21.5. Several measures relaxing exchange controls are adopted. Firms will be free to cover their exchange risks and to hold foreign exchange accounts in France or abroad in respect of an amount equivalent to three months of their turnover in transactions with other countries. The conditions for settlement of imports are simplified and firms will be free to contract borrowings in foreign currencies.

29.5. The Government adopts a number of provisions designed to raise FF 21 300 million for the general social security scheme, almost half of it in the form of higher health and old age insurance contributions.

- The employee health insurance contribution goes up 0.4 of a percentage point to 5.9 % of the total wage from 1 July 1987 to 30 June 1988.
- The employee old age insurance contribution goes up 0.2 of a percentage point to 6.6 % of the wage falling below the social security ceiling (FF 9 630 per month).
- A 1 % temporary and exceptional levy is introduced on income from financial investment and immovable property.
- The price of tobacco will be raised by 2 % on 1 August.
- New rules will shortly be introduced for the self-employed old age and health insurance contributions.

Ireland (IRL)

None.

Italy (I)

13.5. The Minister for Foreign Trade signs three decree-laws increasing the freedom of operators in their financial transactions with other countries. In agreement with the Bank of Italy, the 15 % non-interest-bearing compulsory deposit applicable to acquisitions of foreign securities and immovable property is abolished. As a result of this measure, it should be possible to repeal the safeguard clause applicable to Italy under the Commission Decision of 19 December 1984 after consulting the Italian authorities under Article 2(2) of that Decision, or at least not to renew this clause when it expires on 19 December 1987. Under the new rules, Italian residents travelling abroad are permitted to acquire SDR 1 250 in foreign currency (LIT 2 100 000 compared with the previous LIT 1 600 000) and LIT 500 000 in Italian lire (previously LIT 400 000): this brings the Italian provisions into line with the OECD Code and puts an end to all inconsistencies between the latter and Community law. In addition, the use of credit cards abroad to obtain advances in cash has been permitted up to the ceiling of SDR 1 250, and the formalities applicable to travellers have been relaxed. The periods within which foreign exchange holdings must be surrendered by exporters are doubled from 15 to 30 days, as are the periods within which holders of foreign exchange accounts (conti valutarî) are allowed to utilize the amounts credited to these accounts. For foreign currency received by the account holder in settlement of authorized transactions with non-residents, the period is lengthened from 60 to 120 days, while for foreign currency acquired by the account holder against domestic lire for the settlement of authorized transactions it is lengthened from 30 to 60 days. Also, Italian residents who intend to advance settlement of imports of goods and services are no longer obliged to borrow foreign exchange from a bank.

Luxembourg (L)

29.4 Parliament adopts a draft law aiming to reform the Unemployment Fund into a 'Fund for Employment', which will not confine itself to the administration of unemployment but will have as its main task to launch an employment offensive. The law also provides for a review of the compensation of unemployed persons over 50 years of age by extending the compensation period and granting the guaranteed minimum income after a period of 24 months, an increase in the unemployment benefit, generally to 80 % of the last gross wage, Fund assistance for the self-employed without work, and permission to draw the unemployment benefit while engaging in a secondary occupation.

Netherlands (NL)

None.

Portugal (P)

1.5. The Government increases petroleum product prices by an average of 6 %. The purpose of this measure is to adjust receipts from the petroleum products tax to the rise in oil prices.

United Kingdom (UK)

None.

Prices (excluding VAT) in Luxembourg

	ECU	BFR	IRL	UKL	USD	
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